



# State Police Pension Reporter

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A Newsletter for Members of the State Police Retirement System

Spring 2004

The Division of Pensions and Benefits ▼ (609) 292-7524

## New Pension Loan Regulations

**N**ew Internal Revenue Service (IRS) regulations, effective January 1, 2004, required the Division of Pensions and Benefits to change its pension loan repayment policies. If you take a loan after January 1, 2004, you must repay that loan and any previous outstanding balance within a five year period. If you take a second loan after January 2004 and the original loan balance is not completely paid off, the repayment period will remain five years from the first loan taken after January 1, 2004. Failure to repay the loan within the five year period will result in the unpaid balance being declared a taxable distribution.

These new regulations may result in either a **substantial increase** in your repayment amount or it may even limit the amount that you can borrow if the payroll deductions to repay the loan were to exceed the 25 percent of salary restriction mandated by State law. Here are two examples that illustrate the new policy:

- 1) A member takes his or her first pension loan for \$3,000 in January 2004 and has a minimum payment of \$100 per month so that the loan will be repaid in June 2006 (well within the five-year window of January 2009). If the member then takes another \$3,000 loan in October 2006, since the first loan is repaid, a new five-year window begins giving the member until October 2011 for repayment. **This member would not see anything different in the way the loans are administered.**
- 2) A member takes a loan for \$3,000 in January 2004 and also has an outstanding loan balance of \$3,000. A minimum payment of \$100 is calculated on the combined \$6,000 balance so that the loan and interest is repaid in January 2009 (within the allowable five-year window). If the member then takes another \$3,000 loan in January 2005 — because the 2004 loan is still outstanding — the member is locked into the five-year window of the first loan. Therefore, the combined balance of \$7,800 (\$6,000 original balance minus \$1,200 paid in 2004 plus \$3,000 new loan = \$7,800) would require a monthly payment of \$162.50 to pay off the loan before January 2009. **This member sees a significant increase in the loan repayment amount beginning with the second loan** (under the 2003 rules the payment would have only been \$130). The difference becomes even more apparent if the member borrows \$3,000 again in January 2006. Now the combined balance of \$8,850 (\$7,800 - \$1,950 + \$3,000 = \$8,850) requires a monthly payment of \$245.83 to be repaid in full by January 2009.

The *Loan Application* packet has been revised to include a discussion of the five-year rule. Explanations are also available on our Web site at: [www.state.nj.us/treasury/pensions/loan\\_poster\\_2004.pdf](http://www.state.nj.us/treasury/pensions/loan_poster_2004.pdf)

## From the Director

**T**he New Jersey State Police has long been recognized as one of the premier law enforcement organizations, and we at the Division of Pensions and Benefits are committed to ensuring that you receive the best service in all aspects of your employment benefits, from enrollment to retirement. Your Personal Benefits Statement is a depiction of your current SPRS account, intended to keep you informed of the service credit you have accumulated and the benefits to which you are entitled. Study this statement carefully, as it reflects the information that has been reported to us by your employer.

As a SPRS member, you accumulate pension contributions more quickly than do members of most of the other State-administered retirement systems, and thus may be able to take pension loans for relatively large amounts. Newly applicable IRS rules affect how pension loans must be repaid. Be sure to read the main article in this newsletter concerning the new loan rules, as they are significantly different from how loans were handled previously.

Please also note the article on the newly enhanced Volunteer Emergency-Worker's Survivors Pension (VESP). In your many law enforcement and emergency response duties, you may have come to know the volunteers whose families would be helped by the VESP. Therefore, we ask that you help us spread the word about this benefit. While we hope it is never needed, we want emergency personnel to know it is there to help.

*Frederick J. Beaver, Director  
Division of Pensions and Benefits*

## Volunteer Emergency-Worker's Survivors Pension

**O**n January 9, 2003, Governor James E. McGreevey signed into law Chapter 134, P.L. 2002, creating the Volunteer Emergency Worker's Survivor Pension (VESP). This provides for a pension to the survivors of a volunteer municipal emergency services worker, when the volunteer worker dies in the performance of the volunteer duties. The law became effective January 1, 2004 but is retroactive to deaths occurring on or after January 1, 2000.

The VESP ensures that New Jersey's emergency services volunteers — who because they are volunteers (in their emergency services capacities) and thus are not eligible for membership in any of the State-administered pension systems — can provide some assistance towards financial security for their eligible survivors should they die in the performance of their emergency volunteer duties. Chapter 134 also applies to volunteers who die while traveling to or from the scene where their volunteer services were to be rendered.

The pension benefit for a surviving spouse is \$15,000 per

year. For dependent children, if there is no surviving spouse, the pension benefit is \$15,000 per year to be split among the number of children. If a surviving spouse remarries, a children's benefit of \$10,000 per year will be provided. The benefit for surviving dependent parents, paid only if there is no surviving spouse or children, is a total of \$5,000 per year. These benefits are **not subject to New Jersey State income tax**.

Because Chapter 134 applies specifically to volunteers, these workers are not members of a State-administered retirement system (at least not in their voluntary capacity), thus they are ineligible for other accidental death benefits. Likewise, volunteers who are members of State-administered retirement systems are not eligible for the VESP benefits.

**Chapter 134 is discussed in this edition of the *State Police Pension Reporter* in the hope of communicating its existence to as many people in the emergency response field as possible, so that those volunteers whom it covers, and their municipalities, will be aware of it should it ever be needed.**

## Domestic Partnership Act

**C**hapter 246, P.L. 2003 recognizes and supports adult individuals in New Jersey who wish to establish a domestic partnership. This law becomes effective July 10, 2004 and provides that two persons who desire to become domestic partners may execute and file an Affidavit of Domestic Partnership with the local registrar provided they meet the requirements and provisions of the law. This law also makes certain benefits available to dependent domestic partners in the case in which both persons are of the same sex and therefore unable to enter into a marriage with each other that is recognized by New Jersey law.

Note that, as of the printing date of this newsletter, the specific details of the impact of this law on the State-administered retirement systems and the State Health Benefits Program have not yet been determined. The Division will provide additional information when it becomes available.

## New Jersey State Employees Deferred Compensation Plan

**T**he New Jersey State Employees Deferred Compensation Plan (NJSED-CP) provides you, as an eligible State employee, with an opportunity to voluntarily shelter a portion of your wages from federal income taxes while saving for retirement to supplement your pension and social security benefits. Under the Plan, federal income tax is not due on deferred amounts or accumulated earnings until you receive a distribution (payment) from your account. Presumably, distribution is at retirement when your tax rate is expected to be lower.

To learn more about the NJSEDCP, including how to enroll, please call (609) 292-3605, or on the Web visit: [www.state.nj.us/treasury/pensions/fact32.htm](http://www.state.nj.us/treasury/pensions/fact32.htm)

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[www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

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